GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:230
ANSWERED ON:01.03.2002
PHALGUNA SAKA . FILING OF INCOME TAX RETURN BY TRUSTS
SADASHIVRAO DADOBA MANDLIK

Will the Minister of FINANCE be pleased to state:

(a) whether a large number of trusts and institutions are not filing income-tax returns;

(b) if so, the details thereof, alongwith the reasons therefor;

(c) whether the Government have noticed irregular grant of exemptions, resulting in short levy of income-tax to the tune of Rs.743 lakh in 28 cases in four metro cities in the year 1998-99;

(d) if so, the details thereof alongwith the reasons therefor; and

(e) the remedial steps being taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a): Yes, Sir. A large number of trusts and institutions are not filing their returns of income because their income is below the maximum amount not chargeable to tax. Therefore, these trusts or institutions are statutorily not required to file their income tax returns.

(b): Income tax returns are filed with the field formations. No information regarding trusts and institutions not filing their returns is centrally maintained in the Department. The Income tax Department takes action as provided under law whenever any case of non-filing of return by any person, who is statutorily required to file its return of income, including trusts or institutions, comes to its knowledge.

(c): C&AG in their Report No.12A of 2001 for March ending 2000, have pointed out audit observations in 28 cases of Trusts & Institutes from fourmetropolitan cities, where, according to them, there is short levy of tax of Rs.742.93 lakhs. The report of C&AG is being examined in the Central Board of Direct Taxes with a view to give parawise reply to C&AG to determine correctness as otherwise of the aforesaid audit observations. Final figures of number of cases of Trusts & Institutes involving short levy of tax or the amount of tax effect involved in such cases can be determined only after such examinations by the Central Board of Direct Taxes and after interactions with the C&AG.

(d): According to C&AG, reasons for such cases of short levy of tax are mistakes in the applications of law, incorrectallowances, deductions and exemptions under the provisions of IT Act.

(e): Central Board of Direct Taxes has already issued instructions to the Assessing Officers/Field Formations to take due care in assessment and to avoid mistakes. Remedial actions are invariably taken to all cases in accordance with Central Board of Direct Taxes Instruction No.1598 dated 1.2.1985. There is also a monitoring system where the ledger cards are issued and their explanations are called for where they are found to have committed such mistakes. DIT(Audit) has also issued instructions and checklist for the guidance of the Assessing Officers.